



**National Security
Personnel System**



Pay Pool Process

*at a
Glance*



Pay Pool Process at a Glance provides a broad overview of the pay pool process and information about how the process works.

Laying the Foundation

Under NSPS, performance is what determines compensation. At the end of each rating cycle, individual performance is evaluated to determine whether a salary increase or performance award is warranted. The pay pool process, a key component of the performance management cycle, provides a means of ensuring that all managers/supervisors apply standards equitably when rating their employees and that rewards provide incentives to the workforce. The pay pool process allows organizations to recognize and reward accomplishments and supports a high-performance workplace. Through the use of pay pools and pay pool panels, the understanding of valued and role model performance is enhanced and the principle of equal pay for equal work is emphasized.

Fairness, Accountability, and Communication – Keys to the Pay Pool Process

Fairness is the basis of trust between employees and managers/supervisors. Having worked hard to meet expectations, employees have a reasonable expectation that they will be rewarded for their achievements. While all employees are accountable for the results of their work, managers also are accountable for ensuring that employees are rewarded fairly. The pay pool process preserves the integrity of the NSPS performance management system by ensuring a higher level review takes place and that discussions regarding performance are made within the context of mission and organization. Employees look to their supervisors with great expectations about their own rewards and value to the organization. They want to feel they are treated fairly and equitably by all members of the pay pool. The pay pool process provides a structured way of reviewing management decisions and ensures all employees receive equitable consideration.

Communication is critical to the pay pool process. Supervisors need to ensure their employees understand how the pay pool process works. Employees need to have clear understanding about what the decisions are and how they are made as well as their own responsibilities in ensuring the decisions made on their behalf are based on informed judgment. Ongoing communication about performance and results builds common understanding. In this way NSPS supports the DoD's efforts to transform the organization and create a Total Force where organizations at every level think and operate as one cohesive unit to accomplish their missions.

What are Pay Pools and Pay Pool Panels?

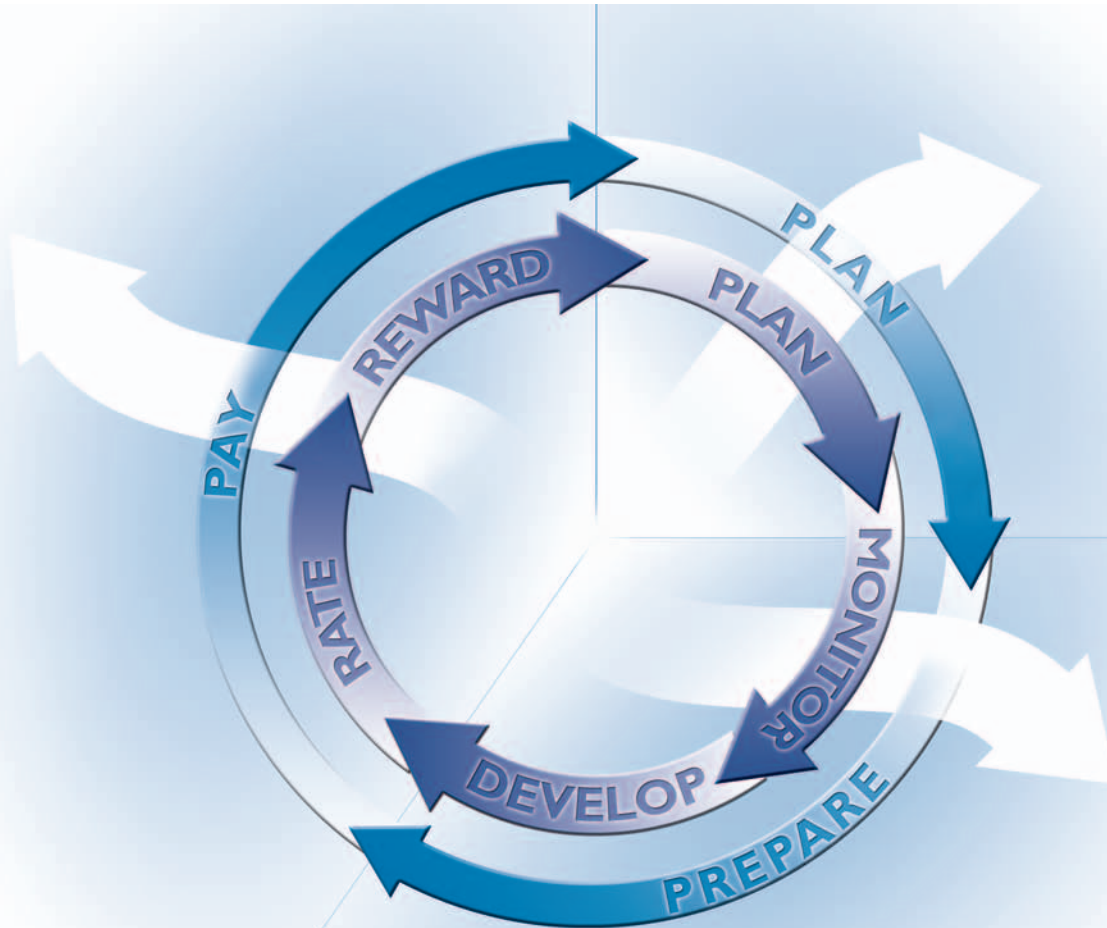
Pay pools are groups of employees who work in an organization and share funding for performance payouts. Each employee is in only one pay pool at a time and employees are informed about which pay pool they belong to prior to the start of the performance cycle. Pay pools can vary in size from approximately 50 members to over 300 members and are typically structured by organization or function. Regardless of pay pool size or configuration, under NSPS performance is the key determinant of any salary increases or awards received and work performance is evaluated within the context of the mission.

Pay pool panels are groups of managers/supervisors that gather to review employee evaluations to ensure that the same standards for evaluating performance are applied throughout an organization and that performance payouts are consistent with the ratings. Each pay pool has a designated pay pool manager who is responsible for managing the pay pool. The pay pool manager oversees the process of reconciling the ratings and reward decisions and settles discrepancies between pay pool panel members.

Fairness

How Does the Pay Pool Process Work?

The pay pool process is an integral and integrated part of the performance management cycle. While the actual convening of the pay pool panels and the final share value determinations and payouts occur following the end of the performance management cycle, this activity is the culmination of a series of events, activities and discussions that take place throughout the appraisal period. Pay pool activities can generally be described with three phases that track and parallel a broader range of activities related to the NSPS performance management cycle: Plan, Prepare, and Pay.



Plan Phase

As planning for the new performance cycle begins, activities conducted during the plan phase lay the administrative foundation for the pay pool. During the plan phase, the pay pool structure is established, financial data captured, and organizational mission statements and goals documented. Annual pay pool planning begins at the end of the previous rating cycle and generally is completed within the first several months. Also during this phase, the pay pool panel conducts an after-action review of the previous cycle to determine what worked well and what could be improved. This analysis involves such things as examining the efficacy of the current pay pool structure, the review process, and the assigned roles and responsibilities of pay pool panel members. Results of this analysis drives improvements in the next cycle.

Performance

How the Pay Pool is Funded

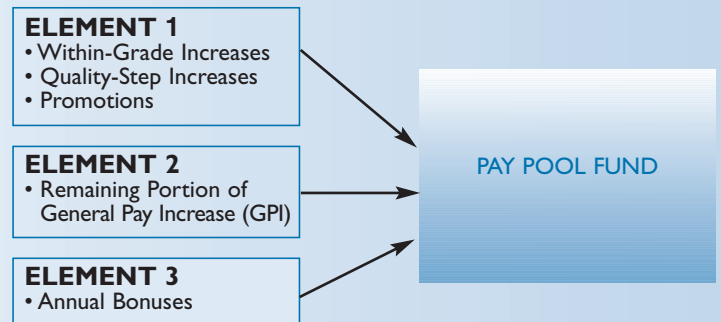
The pay pool fund is comprised of the following elements:

Element 1 represents base pay funds that historically were spent on within-grade increases, quality-step increases, and promotions between General Schedule grades that no longer exist in NSPS.

Element 2 represents funds (if any) that remain available from the government-wide general pay increase after the Secretary has exercised his or her authority to fund any rate range adjustments or local market supplements.

Element 3 represents funds historically spent on performance-based bonuses.

Each element is expressed as a percentage of the total base salaries of all employees in a pay pool. The funds associated with Elements 1 and 2 are available for increases to base pay or bonuses. The funds associated with Element 3 are available only for bonuses. Organizations may supplement any of the elements if funding is available. Funding for Accelerated Compensation for Developmental Positions, Extraordinary Pay Increases, and Organizational/Team Achievement Recognition is separate from the Pay Pool Fund.



Prepare Phase

The prepare phase of the pay pool process parallels activities that support the monitor and develop phases of the performance management cycle and ends as the rating phase of that cycle begins. The prepare phase includes activities that strengthen skills and improve the pay pool process.

One activity involves pay pool panel members to fine-tune their understanding of performance levels. Based on the accomplishments of employees in the pay pool, the pay pool panel members discuss what is expected to achieve each rating. In turn, this activity builds consensus around performance levels. Reviewing employee performance plans also can aid their understanding.

As pay pool panels become more familiar with the process, they can refine their operations and increase efficiency. Because every pay pool has the flexibility to create a pay pool panel process that best meets its needs, it is critical that all members of the panel have a similar understanding of their timelines and expectations.

Pay Phase

There are many activities that occur during the pay phase and support the rating and rewarding phases of the performance management cycle. These activities are generally conducted and completed within three months of the end of the rating cycle. It is during the pay phase that the final value of the share is determined and used to calculate a performance payout.

Managers/supervisors submit their recommended ratings and the proposed number of shares and payout distribution. This information is reviewed by the pay pool panel through meetings and conversations. At the end of this process, managers/supervisors are provided their employees' final ratings of record, number of shares and payout distribution. In turn, managers/supervisors meet with their employees to share the information.

Mock Pay Pool Process – Why It is Important

A mock pay pool exercise is the best way for any organization to understand the pay pool process. During the exercise organizations identify ways to improve their process that results in greater consistency and ensures fairness in ratings and payouts. The exercise is best accomplished as if it were the real thing. Rating officials review their employees and assign mock ratings, numbers of shares, and payout distributions. The panel then practices advocating for employees and reconciling results. The mock exercise results are not recorded for compensation purposes; however, they can help refine the estimated share value for the real pay pool process. Organizations generally run the mock pay pool process with real employee data, although data from a virtual organization also can be used. In either case past experience has shown that a panel's familiarity with the process, its ability to handle difficult situations, and the quality of its decisions improve when it conducts a mock pay out exercise.

Results-oriented

Where Can I Get More Information?

Pay Pool at a Glance is one of several resources available to you. More than likely you still have questions or want to discuss this information you have just learned with others. Take advantage of the training and resources designed to help you succeed under NSPS.

Two of the most effective ways to process what you have learned is to have conversations with your peers and to seek advice and guidance from your supervisor and human resources consultant. In addition to the Component-sponsored information and training you may have already taken, the following workshops and training courses are available:

Writing SMART Objectives – a workshop designed to help employees learn how to write effective job objectives, the cornerstone of the performance management system.

NSPS 101 – a web-based, self-paced course designed to provide you with an overview of the key NSPS elements. The course is located on the NSPS website homepage at www.cpms.osd.mil/nsps

HR Elements for Managers, Supervisors, and Employees – an instructor-led course designed to provide you with an overview of the key HR elements. The Guide to NSPS is associated with this course.

Performance Management for Managers and Supervisors and Performance Management for Employees – instructor-led courses designed to provide an overview of the performance management system, discuss how to plan, monitor, develop, rate, and reward performance; and define roles and responsibilities for managers, supervisors, and employees.

Introduction to Pay Pool Management – instructor-led, interactive, immersion-style workshop that uses a series of extended simulations and guided discussions to help managers understand pay pool dynamics, communications, roles, responsibilities, and key considerations for effective pay pool panel participation and management.

To register for any of the workshops and courses listed above, ask your supervisor.

Finally, log on to the website designed to provide you with the latest information.

Equity

For More Information

NSPS

Visit the NSPS website at
<http://www.cpms.osd.mil/nsps>

NSPS in Your Component

Visit the Air Force at
<http://www.af.mil/library/nsps-af>

Visit the Army Civilian Personnel On-Line at
<http://www.cpol.army.mil>

Visit the Fourth Estate at
<http://www.hrd.whs.mil>

Visit the Navy at
<http://www.donhr.navy.mil/NSPS>